

Massachusetts Electric

A National Grid Company



Amy G. Rabinowitz
Counsel

November 27, 2002

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: Massachusetts Electric Company and Nantucket Electric Company, Docket No. D.T.E. 00-67

Dear Secretary Cottrell,

On behalf of Massachusetts Electric Company and Nantucket Electric Company (together "Mass. Electric" or the "Company"), enclosed please find Mass. Electric's Standard Offer Service Fuel Adjustment ("SOSFA") calculations, being made in conjunction with the Department's letter order dated December 4, 2000 in Docket DTE 00-67. In that order, the Department approved the implementation of a SOSFA for electric companies in Massachusetts and adopted a uniform SOSFA surcharge calculation methodology effective January 1, 2001. As described in this letter, Mass. Electric is not requesting any SOSFA for usage on and after January 1, 2003.

Effective January 1, 2003, the base rate of Standard Offer Service will increase from the 2002 rate of 4.200¢ per kWh to 4.700¢ per kWh, in accordance with Mass. Electric's restructuring settlement agreement in Docket No. D.P.U./D.T.E. 96-25 and its wholesale power supply contracts. In addition, the fuel trigger value in these same agreements will increase from \$6.09/MMBtu to \$7.01/MMBtu. In deriving the 2003 SOSFA, the Company has followed the same method it used last year for treating the increase in the fuel trigger value effective at the beginning of the year. Specifically, the Company substituted the 2003 fuel trigger value retroactive back to 2002. Using this methodology for 2003, the Company would have no SOSFA in place.

Attachment 1 to this filing shows the calculation for the SOSFA using the method previously approved by the Department. As shown on Page 1, the calculation produces a SOSFA of zero effective for usage on and after January 1, 2003.

In today's year-end filing, Mass. Electric presents the impact on customers' bills of the Standard Offer Service base rate increase, along with all other proposed rate changes in that filing. This January 1, 2003 scheduled increase in the standard offer rate from today's level of 4.200¢ per kWh to 4.700¢ per kWh, assuming no standard offer adjustment factor during 2003, represents an increase of 0.500¢ per kWh. This amounts to an increase in the cost for standard offer service of approximately \$2.50 per month for

Mary L. Cottrell
November 27, 2002
Page 2

a typical 500 kWh residential customer. In the year-end filing, Mass. Electric will provide tariff cover sheets that will reflect both the scheduled Standard Offer Service base rate increase and the rate changes proposed in that filing.

Thank you very much for your time and attention to this matter.

Very truly yours,

Amy G. Rabinowitz

cc: D.T.E. 00-67 Service List

**Massachusetts Electric and Nantucket Electric
Proposed SOSFA Surcharge
(effective January 1, 2003)**

(1) Adjustment Value	1.00000
(2) 2003 Stipulated Price (c/kWh)	4.700
(3) Total Standard Offer Rate (c/kWh)	4.700
(4) 2003 Stipulated Price (c/kWh)	4.700
(5) SOSFA Surcharge (c/kWh)	0.000

Notes:

- (1) October 2002 Fuel Adjustment Value (Col. F - Determination of Fuel Adjustment Value)
- (2) From SOSFA provisions in settlement agreement and supply contracts
- (3) Total Standard Offer Rate = Line (1) * Line (2), rounded to 3 decimal places
- (5) SOSFA Surcharge = Line (3) - Line (4)

Massachusetts Electric and Nantucket Electric

DETERMINATION OF FUEL ADJUSTMENT VALUE AND SOSFA SURCHARGE

(Col. A)	(Col. B)	(Col. C)	(Col. D)	(Col. E)	(Col. F)	(Col. G)	(Col. H)	(Col. I)
SOS Delivery Month	NGrid's Market Gas Price	NGrid's Market Oil Price	NGrid's Fuel Value	NGrid's Fuel Trigger	NGrid's Adjustment Value	2003 Stipulated Price	Standard Offer Rate	SOSFA Surcharge
Nov-01	\$4.70	\$3.38	\$8.08	\$7.01	1.13997	4.70	5.357	0.657
Dec-01	\$4.38	\$3.26	\$7.65	\$7.01	1.08326	4.70	5.091	0.391
Jan-02	\$3.80	\$3.14	\$6.94	\$7.01	1.00000	4.70	4.700	0.000
Feb-02	\$3.39	\$3.03	\$6.42	\$7.01	1.00000	4.70	4.700	0.000
Mar-02	\$3.16	\$2.98	\$6.14	\$7.01	1.00000	4.70	4.700	0.000
Apr-02	\$2.99	\$2.97	\$5.96	\$7.01	1.00000	4.70	4.700	0.000
May-02	\$2.85	\$2.97	\$5.83	\$7.01	1.00000	4.70	4.700	0.000
Jun-02	\$2.81	\$3.00	\$5.81	\$7.01	1.00000	4.70	4.700	0.000
Jul-02	\$2.81	\$3.04	\$5.86	\$7.01	1.00000	4.70	4.700	0.000
Aug-02	\$2.79	\$3.11	\$5.90	\$7.01	1.00000	4.70	4.700	0.000
Sep-02	\$2.88	\$3.19	\$6.07	\$7.01	1.00000	4.70	4.700	0.000
Oct-02	\$3.02	\$3.30	\$6.33	\$7.01	1.00000	4.70	4.700	0.000
Nov-02	\$3.11	\$3.42	\$6.53	\$7.01	1.00000	4.70	4.700	0.000
Dec-02	\$3.25	\$3.52	\$6.77	\$7.01	1.00000	4.70	4.700	0.000
Jan-03	\$3.38	\$3.62	\$7.00	\$7.01	1.00000	4.70	4.700	0.000
Feb-03	\$3.57	\$3.74	\$7.31	\$7.01	1.03906	4.70	4.883	0.183
Mar-03	\$3.72	\$3.79	\$7.50	\$7.01	1.06451	4.70	5.003	0.303
Apr-03	\$3.76	\$3.80	\$7.56	\$7.01	1.07155	4.70	5.036	0.336
May-03	\$3.81	\$3.79	\$7.60	\$7.01	1.07665	4.70	5.060	0.360
Jun-03	\$3.86	\$3.78	\$7.64	\$7.01	1.08243	4.70	5.087	0.387
Jul-03	\$3.91	\$3.78	\$7.68	\$7.01	1.08797	4.70	5.113	0.413
Aug-03	\$3.99	\$3.73	\$7.72	\$7.01	1.09337	4.70	5.138	0.438
Sep-03	\$4.04	\$3.67	\$7.71	\$7.01	1.09137	4.70	5.129	0.429
Oct-03	\$4.06	\$3.61	\$7.67	\$7.01	1.08663	4.70	5.107	0.407

Notes:

November 2002 and beyond reflect estimates of the various values appearing in Columns B through I.

Col. A - month in which SOS was delivered at wholesale

Col. B - Average of the values of Gas Index for the most recent 12 months. (Col. G - Determination of Market Gas Price)

Col. C - Average of the values of Oil Index for the most recent 12 months. (Col. LL - Determination of Market Oil Price)

Col. D - Col. B + Col. C

Col. E - Calendar Year 2003 value from the Standard Offer Supply Contracts. Actual value for Calendar Years 2001 was 5.35 and 2002 was 6.09.

Col. F - $\text{@if}(\text{Col. D} > \text{Col. E}, (\text{Col. B} + \$0.60 + \text{Col. C} + \$0.04) / (\text{Col. E} + \$0.64), 1.000)$

Col. G - Calendar Year 2003 rate from SOSFA provisions in settlement agreement and supply contracts. Actual value for Calendar Year 2001 was 3.80 and 2002 was 4.20.

Col. H - Col. F * Col. G, truncated to 3 decimal places

Col. I - Col. H - Col. G

Massachusetts Electric and Nantucket Electric

DETERMINATION OF MARKET GAS PRICE

(Col. A)	(Col. B)	(Col. C)	(Col. D)	(Col. E)	(Col. F)	(Col. G)	(Col. H)	(Col. I)
Contract Month	Last Month of Trading	Settlement Prices (\$/mmBtu)			Gas Index	NGrid's Market Gas Price	EUA's Market Gas Price	SOS Delivery Month
		3rd Last	2nd Last	Last				
Nov-01	Oct-01	\$2.938	\$3.041	\$3.202	\$3.060	\$4.699	\$3.291	Nov-01
Dec-01	Nov-01	\$2.696	\$2.606	\$2.316	\$2.539	\$4.384	\$2.970	Dec-01
Jan-02	Dec-01	\$2.895	\$2.911	\$2.555	\$2.787	\$3.800	\$2.740	Jan-02
Feb-02	Jan-02	\$2.037	\$1.908	\$2.006	\$1.984	\$3.387	\$2.647	Feb-02
Mar-02	Feb-02	\$2.449	\$2.307	\$2.388	\$2.381	\$3.161	\$2.446	Mar-02
Apr-02	Mar-02	\$3.326	\$3.457	\$3.472	\$3.418	\$2.993	\$2.440	Apr-02
May-02	Apr-02	\$3.419	\$3.295	\$3.270	\$3.328	\$2.855	\$2.695	May-02
Jun-02	May-02	\$3.347	\$3.280	\$3.420	\$3.349	\$2.807	\$2.740	Jun-02
Jul-02	Jun-02	\$3.430	\$3.449	\$3.278	\$3.386	\$2.811	\$2.875	Jul-02
Aug-02	Jul-02	\$2.902	\$2.936	\$2.976	\$2.938	\$2.790	\$2.974	Aug-02
Sep-02	Aug-02	\$3.617	\$3.483	\$3.288	\$3.463	\$2.877	\$3.133	Sep-02
Oct-02	Sep-02	\$3.742	\$3.494	\$3.686	\$3.641	\$3.023	\$3.314	Oct-02
Nov-02	Oct-02	\$4.028	\$4.176	\$4.126	\$4.110	\$3.110	\$3.351	Nov-02
Dec-02	Nov-02	\$4.188	\$4.329	\$4.261	\$4.259	\$3.254	\$3.481	Dec-02
Jan-03	Dec-02	\$4.278	\$4.409	\$4.346	\$4.344	\$3.383	\$3.633	Jan-03
Feb-03	Jan-03	\$4.198	\$4.319	\$4.256	\$4.258	\$3.573	\$3.793	Feb-03
Mar-03	Feb-03	\$4.063	\$4.179	\$4.116	\$4.119	\$3.718	\$4.012	Mar-03
Apr-03	Mar-03	\$3.908	\$3.999	\$3.946	\$3.951	\$3.762	\$4.122	Apr-03
May-03	Apr-03	\$3.868	\$3.954	\$3.906	\$3.909	\$3.811	\$4.174	May-03
Jun-03	May-03	\$3.893	\$3.978	\$3.930	\$3.934	\$3.859	\$4.140	Jun-03
Jul-03	Jun-03	\$3.926	\$4.009	\$3.961	\$3.965	\$3.908	\$4.086	Jul-03
Aug-03	Jul-03	\$3.940	\$4.023	\$3.975	\$3.979	\$3.994	\$4.023	Aug-03
Sep-03	Aug-03	\$3.933	\$4.011	\$3.960	\$3.968	\$4.037	\$3.976	Sep-03
Oct-03	Sep-03	\$3.940	\$4.018	\$3.965	\$3.974	\$4.064	\$3.951	Oct-03

Notes:

November 2002 and beyond reflect estimates of the various values appearing in Columns C through I.

Col. A - Contract refers to the NYMEX Natural Gas Futures Contract, as approved by the CFTC,
for the purchase and sale of natural gas at Henry Hub.

Col. B - Month that trading for the Contract ends (the month before the delivery month)

Col. C - Settlement price for the third last trading day as reported in the Wall Street Journal. (Jan-99 - Oct-02)
- Settlement price as reported in the Wall Street Journal on 28-Oct-02. (Nov-02 - Oct-03)

Col. D - Settlement price for the second last trading day as reported in the Wall Street Journal. (Jan-99 - Oct-02)
- Settlement price as reported in the Wall Street Journal on 29-Oct-02. (Nov-02 - Oct-03)

Col. E - Settlement price for the last trading day as reported in the Wall Street Journal. (Jan-99 - Oct-02)
- Settlement price as reported in the Wall Street Journal on 30-Oct-02. (Nov-02 - Oct-03)

Col. F - Average value of Col. C, Col. D and Col. E (=AVERAGE(Col. C,Col. E))

Col. G - Average of the most recent twelve months of values in Col. F (including current SOS delivery month)

Col. H - Average of the most recent six months of values in Col. F (ending month prior to SOS delivery month)

Col. I - month in which SOS was delivered at wholesale.

(Col. A)	(Col. B)	(Col. C)	(Col. D)	(Col. E)	(Col. F)	(Col. G)	(Col. H)	(Col. I)	(Col. J)	(Col. K)	(Col. L)	(Col. M)	(Col. N)	(Col. O)	(Col. P)	(Col. Q)	(Col. R)	(Col. S)	(Col. T)	(Col. U)	(Col. V)	(Col. W)	(Col. X)	(Col. Y)	(Col. Z)	(Col. AA)	(Col. BB)	(Col. CC)	(Col. DD)	(Col. EE)	(Col. FF)	(Col. GG)	(Col. HH)	(Col. II)	(Col. JJ)	(Col. KK)	(Col. LL)	(Col. MM)		
SOS	Trading	Daily low quotation, cargo delivery, 1.0%S, No. 6, residual fuel oil, NY Harbor (\$ / barrel)																														Sum of	# of	Conversion	Oil Index	NGrid's Market	EU's Market			
Nov-01	Nov-01	17.15	16.75			16.40	16.30	16.40	16.85	17.10			16.35	16.70	15.85	14.75	15.00		15.00	15.25	15.00						14.85	15.50	15.50	15.50	15.90				20	63	318.10	2.52	3.38	3.18
Dec-01	Dec-01			16.65	16.50	16.35	16.00	15.55					15.35	15.25	15.65		16.15	16.50	16.75	16.75	17.15						17.75	17.50	17.00			16.90	311.45	19	63	2.60	3.26	3.00		
Jan-02	Jan-02		17.30	16.85		17.25		17.30	17.00	16.50	16.50		15.65	15.75	15.75	15.65	15.65				15.65	15.90	15.60	15.15		17.75	17.50	15.05	14.85	14.40	14.40	334.25	21	63	2.53	3.14	2.89			
Feb-02	Feb-02	14.60			14.70	14.45	13.90	14.00	14.25	18.25	18.25		14.65	14.25	14.90	14.75	14.50		14.25	14.50	14.50	14.60			14.75	15.25	15.75	16.30			278.85	19	63	2.33	3.03	2.81				
Mar-02	Mar-02	16.75			16.95	17.45	17.85	18.25	18.25				18.85	18.85	18.90	18.90		19.15	19.50		21.00	21.00	21.15	21.75	22.15						385.45	20	63	3.06	2.98	2.66				
Apr-02	Apr-02	22.75	23.75	23.80	22.90	22.90			23.20	23.20	22.40	21.25	20.10		20.70	21.15	21.75	21.75	21.80		23.65	23.00	23.00	22.90	21.75	21.65	21.50	21.45	21.35			485.10	22	63	3.50	2.97	2.64			
May-02	May-02	22.05	21.95	22.25			22.50	23.20	23.90	23.50	23.65			24.60	25.35	24.30	23.80	23.70		23.65	23.00	22.90							22.50	22.55	22.35	22.75	510.35	22	63	3.68	2.97	2.76		
Jun-02	Jun-02				22.70	22.90	22.90	22.30	22.30				22.35	23.00	23.40	23.40	23.80	23.30	22.40	22.35	22.25	21.65	23.00	22.90	22.50	22.50	22.50	22.50	22.40			450.85	20	63	3.58	3.00	2.95			
Jul-02	Jul-02	22.35	22.05	21.75					21.05	21.40	21.15	21.60	21.85		22.00	22.40	22.40	22.75	23.15		23.60	22.60	22.50	22.95					23.00	23.50	24.00	470.10	21	63	3.55	3.04	3.11			
Aug-02	Aug-02	24.60	24.75			24.75	25.00	24.90	24.90	25.00			24.25	24.60	25.75	26.00	26.50	25.85	26.10		25.65	25.85	25.85	25.75	25.65				25.75	25.35	25.35	24.50	24.85	554.95	22	63	4.00	3.11	3.28	
Sep-02	Sep-02				23.25	23.50							24.25	24.60	25.75	26.00	26.50	25.80	26.10		27.40	27.70	27.25				27.05	27.40				517.00	20	63	4.10	3.19	3.56			
Oct-02	Oct-02	27.90	27.80	27.40	27.20				26.90	26.50	26.25	25.55	25.55		26.00	26.80	26.80	26.80	27.00		26.50	25.90	25.75	26.25	25.30															

Col. MM - Average of the most recent six months of values in Col. KK (ending month prior to SOS delivery month)